

September 30, 2014

Ms. Louise Gauthier
Director, Distribution Practices and Self-Regulatory Organizations
Autorité des marchés financiers
2640 Laurier Blvd., 4th Floor
Québec (Québec) G1V 5C1

Dear Ms. Gauthier:

Thank you for seeking feedback on the AMF's most recent draft of the Distribution Guide template released on July 18, 2014. We appreciate being asked to provide comments and note that many of the concerns we expressed with the earlier version of the Guide have been taken into account. In particular, the requirement for a consumer signature acknowledging receipt of the Guide would have posed serious difficulty for CAFII member internet and telephone contact centre channels, and we are pleased to see that this requirement does not appear in the latest draft.

That said, we do have some concerns with the overall approach and content of the latest draft and those concerns are noted below.

Comments on the overall approach:

1. Provide flexibility around requirement to provide a sample insurance certificate with the Guide

We encourage the AMF to provide flexibility in implementing the Distribution Guide requirements within existing insurance purchase processes so long as the AMF's desired outcome is achieved. We believe the requirement to provide a sample insurance certificate would, in many instances, be duplicative and potentially confusing to consumers. Where insurance certificates are already provided at point of sale, we recommend that it continue to be permissible to provide the consumer with their actual insurance certificate. Where insurance certificates are provided at fulfillment, we recommend flexibility to incorporate the Distribution Guide into the product booklet, provided it meets all of the Distribution Guide requirements.

2. Provide flexibility regarding the wording within each section of the Guide

There is substantial variation among insurance products offered under the DWR regime and, in order to fulfill the objective of informing consumers about the coverage being proposed, the language in the Guide should be flexible so that it can reflect the specific content of the product it is intended to accompany. Control of this would occur when the insurer submits its Distribution Guides to the AMF for approval.

3. Remove references to “Definitions” from the Guide

There aren’t necessarily “definitions” sections in all certificates so, as above, we would like the flexibility to adjust the wording of the Guide to reflect the certificate it is intended to accompany.

4. Provide flexibility regarding the size, format and pagination of the Distribution Guide

Page size: The latest version of the Guide prints on legal size paper (8 ½ x 14) which is non-standard and may be difficult to produce. We recommend allowing it to be printed on standard 8 ½ x 11” paper.

Colour: The Guide seems to envision being printed in colour and this would be very costly and not possible in all distribution channels. We recommend black & white printing be allowed.

Pagination: It is not clear if the AMF is expecting the content to appear on the pages as they appear in the latest draft or if it would be permissible for the content to appear on different pages as long as the order remained the same. CAFII would prefer the latter.

Page-by-page comments regarding the specific language in the Guide

Page 1:

- First paragraph - change the second sentence to:

“Your insurance certificate is also attached so that you can consult both documents at the same time.” Alternative language if certificate is provided at fulfillment: “The particulars of the insurance certificate are detailed in the accompanying product booklet so that you can consult both documents at the same time.”

- Second paragraph - Remove. There may or may not be a “Definitions” section in the certificate of insurance.
- Third paragraph – change first sentence to:

“This Guide does not form part of the “certificate of insurance “. The insured is not a party to the group master contract.

- Third paragraph – end second sentence at:

“... and determine if it is suitable for you.” (Delete “since no insurance representative is present”) The comment regarding an insurance agent not being present is redundant as it is amply covered in the section below.

- “Caution:”

We recommend “Important Information” or “Please read carefully” instead.

- Item 1. To harmonize with the terminology used in other jurisdictions we recommend the following language:

- The insurance that the **distributor** is proposing is “optional”.

We also recommend making the second sentence a separate point as follows:

- You are at liberty to take out “alternate” insurance from “an insurer” or insurance representative of your choosing

- The sentence beside the asterisk *

We recommend this content be removed as it does not apply to most products other than Travel Insurance. For example, with Mortgage Life Insurance, the coverage is being offered to insure a *new* debt obligation so presumably any *existing* coverage would have been intended for other purposes that would not end with taking on new debt.

- Item 3. We recommend “He” be replaced by “The **distributor**” and some small revisions are made as follows:

“The **distributor** must also clearly indicate the exclusions set out in the certificate of insurance so that you can determine whether any of these exclusions apply to you. The **distributor** is not an insurance representative “and” cannot offer you advice about “insurance or compare insurance products.”

- Item 4. In the vast majority of cases, the distributor receives remuneration that is less than 30% of the insurance product’s sale price and in those situations we recommend that it be permissible to remove this point. Put another way, we would like flexibility to include this point only when remuneration is >30% of the insurance product’s sale price.

Nature of insurance product

To more accurately reflect the nature of the insurance, we recommend the first paragraph be as follows:

“The distributor is offering you insurance to cover all or some of the “repayment of your debt to the lender.”

Page 1: (continued)

Summary of insurance coverage

Life/Disability Insurance

For greater clarity and accuracy we recommend the following language in both the “Life insurance” and “Disability insurance” successive sections:

“In the event of your death/disability, on an approved claim, the insurer will pay the benefit to your lender (see section [] of your certificate of insurance).”

~~Caution~~ Please read carefully

As above, we recommend “Important Information” or “Please read carefully” instead.

Eligibility

- First bullet:

Replace “we” with “the *insurer*”.

- Second bullet:

Use the word “information” instead of “circumstances”.

Page 2:

Exclusions ~~restrictions~~ and limitations (ERL)

- Since only exclusions and limitations are outlined in the adjacent description, we recommend changing the title of this section to “Exclusions and Limitations” and that in the description, “Limits apply to:” be changed to:

“Limitations that apply to:”

- In the first two bullets, delete “Amounts covered under” and simply say “Life insurance is shown in section []”

Pre-existing conditions

- These conditions vary considerably by product and we would like the flexibility to make the adjacent description consistent with the certificate of insurance/product booklet.

Claims

- First bullet:

“It is important to read the detailed procedure for filing a claim. This procedure is explained in section [....].”

- Second bullet:

Delete or else change to “Please contact [] to file a claim.”

Confirmation that you are/ are not insured

- Confirmation cannot always be provided within 30 days. The insurer will review the enrolment form but the amount of time it takes to confirm coverage will depend upon approval of the credit and on whether any additional evidence of insurability is required from the customer. As a result, we suggest the following:

“If you decide to purchase this insurance and complete the enrolment process, the insurer will inform you as to whether or not you have been insured.”

Coming into force, renewal and end of insurance ~~contract~~ coverage

- In case of Creditor’s Group Insurance, it is not the contract that is ended but rather the insurance coverage and different coverages may end at different times. As a result, both the heading and all other references to ending an “insurance contract,” should be changed to “insurance coverage.”
- The concept of “expiry” does not apply to Creditor’s Group Insurance and should be deleted from the body of the text.
- The enrolment form cannot specify the coming into force and expiry dates; only the insurance certificate provides that information.

Ending (“cancelling”) the insurance ~~contract~~ coverage

- To reflect the wording in the certificate, we recommend changing this title to:

“When your insurance ends”

- “The Insured:” In order to parallel the French Guide, the English wording should be changed to:

“You may end your insurance at any time by sending a written notice to the insurer or distributor, or by signing a termination document at your distributor’s location.”

Page 2: (continued)

- Under the sub-heading “Caution”(change to “Important” or “Please read carefully”), content in the second bullet should be amended to read

“after the first xx days, only a portion of the premium paid may be refunded.”

- Under the bullet starting with “To end your insurance,...” the content should read:

“To end your insurance, you may complete the “NOTICE TO END AN ~~INSURANCE CONTRACT~~ CERTIFICATE OF INSURANCE OR COVERAGE” attached to this Guide.”

- “The insurer:” should be amended to read:

“The insurer may end your insurance if insurance premiums are not paid. Terms and conditions are provided in section [] of the enrolment form (or the certificate of insurance)”

Insurance premiums

- Amount of premium payable will not usually be found on enrolment form. Therefore, content under this heading should be amended and abbreviated to read:

“If you purchase this insurance, you will find the amount of the insurance premium payable, or the method of calculating the premium, along with the terms and conditions of payment in section [] of the certificate of insurance.”

- “Caution:”(should be changed to “Important” or “Please read carefully” if retained)

We recommend that it be permissible to remove this content except for single-premium products.

Page 3:

Questions about insurance

- Insurers have a “contact centre” to respond to questions from clients. However, it would be preferable to simply say:

“For questions about this insurance product, the Distribution Guide or related documents, contact the insurer at <phone #>.”

Page 4:

NOTICE TO END AN ~~INSURANCE CONTRACT~~ CERTIFICATE OF INSURANCE OR COVERAGE

- To reflect the fact that the contract is between the distributor and the insurer and not with the client, and because the insured may choose to terminate some but not all coverage, the title should be changed to “NOTICE TO END CERTIFICATE OF INSURANCE OR COVERAGE”.

Page 4: (continued)

- Line beginning with “Pursuant to section 441...” should be changed to:

“Pursuant to section 441 of An Act respecting the distribution of financial products and services, I wish to end the insurance coverage specified below:”
- The lines “Entered into on: (date of signature of contract)” and “In: (place of signature of contract)” should be deleted as that information may not be readily available to consumers and it is not critical to insurer/distributor’s ability to act on the termination request.

Concluding Comments

Consistent with providing flexibility of the wording of the Guide, we make the same point with regard to the Drafting Manual so that it also provides the latitude for language to be developed that is appropriate for an array of different products and channels.

We would also like to stress the importance of providing sufficient lead time to enable our members to implement the required changes in an efficient, effective and consumer-friendly manner. Such changes inevitably give rise to major projects within our member organizations and it takes considerable time to ensure that necessary IT systems changes are made, forms revised, staff re-trained, and consumers notified of how the changes affect them. Therefore, CAFII requests that lead time of 24 months be provided for implementation.

CAFII looks forward to continuing to work with the AMF on bringing the Guide to fruition and we remain ready to assist. Should you wish to meet in-person or by teleconference to discuss this submission and/or next steps in finalizing the Guide, please contact Brendan Wycks, our Executive Director, at brendan.wycks@cafii.com or 647-218-8243.

Sincerely,



Greg Grant, MBA, FLMI, ACS
Board Secretary and Chair, Executive Operations Committee
Canadian Association of Financial Institutions in Insurance

ABOUT CAFII

The Canadian Association of Financial Institutions in Insurance (CAFII) is a not-for-profit industry Association dedicated to the development of an open and flexible insurance marketplace. CAFII was established in 1997 to create a voice for financial institutions involved in selling insurance through a variety of distribution channels. CAFII members provide insurance through client contact centres, agents and brokers, travel agents, direct mail, branches of financial institutions, and the internet.

CAFII believes consumers are best served when they have meaningful choice in the purchase of insurance products and services.

CAFII is currently the only Canadian Association with members involved in all major lines of personal insurance. CAFII's full members are the insurance arms of Canada's major banks – BMO Insurance; CIBC Insurance; Desjardins Financial Security; National Bank Insurance; RBC Insurance; ScotiaLife Financial; and TD Insurance – along with major industry players American Express, Assurant Solutions, and Canadian Premier Life Insurance Company.

In addition, CAFII has 10 Associates that support the role of financial institutions in insurance.

CAFII members offer travel, life, health, property and casualty, and creditor's group insurance across Canada. In particular, creditor's group insurance and travel insurance are the product lines of primary focus for CAFII as its members' common ground.

CAFII's diverse membership enables our Association to take a broad view of the regulatory regime governing the insurance marketplace. CAFII works with government and regulators (primarily provincial) to develop a legislative and regulatory framework for the insurance sector that helps ensure Canadian consumers get the insurance products that suit their needs. Our aim is to ensure appropriate standards are in place for the distribution and marketing of all insurance products and services.